

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

First-Class Mail and Periodicals
Service Standard Changes, 2021

Docket No. N2021-1

STEVE HUTKINS
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS THRESS
(May 17, 2020)

Pursuant to 39 C.F.R. § 3010.311, I hereby submit interrogatories and requests for production of documents to United States Postal Service witness Thomas E. Thress.

If the witness is unable to provide a complete, responsive answer to a question, I request that the witness redirect the question to a witness who can provide a complete, responsive answer. In the alternative, I request that the question be redirected to the Postal Service for an institutional response.

The instructions contained in my interrogatories to witness Thress, SH/USPS-T-5-1-5, are incorporated herein by reference.

Respectfully submitted,

Dated: May 17, 2021

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SH/USPS-T-5-1. Please refer to your testimony on Docket No. R2010-4R, Sept. 26, 2013, “Further Statement,” p. 8, Table 2, “Exigent Postal Service Losses, FY 2008 – 2012.”

TABLE TWO: Exigent Postal Service Losses, FY 2008 – 2012									
<u>First-Class Mail</u>	Starting	Pre-Existing Non-Macro-Economic Factors						Macro-Economy & Recession-Induced Factors	Final
	<u>Volume</u>	<u>Population</u>	<u>Diversion</u>	<u>Trends</u>	<u>Nominal Price</u>	<u>Inflation</u>	<u>Other Factors</u>		<u>Volume</u>
2008	95,347.0	1,059.4	(2,657.2)	744.3	(1,787.4)	973.5	918.4	(3,926.9)	90,671.2
2009	90,671.2	923.6	(2,429.7)	671.5	(747.6)	173.2	(425.1)	(6,110.1)	82,727.0
2008 - 2009	95,347.0	1,983.0	(5,086.9)	1,415.8	(2,535.0)	1,146.8	493.3	(10,037.0)	82,727.0
2010	82,727.0	855.2	(2,224.5)	594.5	(512.2)	257.4	888.8	(4,994.6)	77,591.6
2008 - 2010	95,347.0	2,838.2	(7,311.4)	2,010.3	(3,047.2)	1,404.1	1,382.1	(15,031.7)	77,591.6
2011	77,591.6	819.9	(2,055.2)	543.3	(78.7)	461.1	(747.7)	(4,012.3)	72,521.9
2008 - 2011	95,347.0	3,658.1	(9,366.6)	2,553.6	(3,125.9)	1,865.2	634.4	(19,044.0)	72,521.9
2012	72,521.9	809.4	(1,911.6)	496.2	(463.0)	527.6	239.5	(3,546.2)	68,673.7
2008 - 2012	95,347.0	4,467.5	(11,278.2)	3,049.8	(3,588.9)	2,392.8	873.9	(22,590.2)	68,673.7

- Please confirm the table shows diversion was responsible for a loss of 2,055.2 million pieces in 2011 and 1,911.6 million in 2012.
- Please confirm that negative impacts (diversion, nominal price, other factors, and macro-economy & recession induced factors) totaled 6,893.9 million in 2011 and 5,681.4 million in 2012.
- Please confirm that diversion was responsible for approximately 30 percent of these negative impacts in 2011 and 34 percent in 2012.

SH/USPS-T-5-2. Please refer to your testimony for N2021-1, p. 21, the table entitled “Sources of Change in Mail Volumes since 2010.”

Sources of Change in Mail Volumes since 2010, Changes expressed in Changes in Total Volume									
<u>First-Class Mail</u>	Starting	<u>Population</u>	Diversion	Macro-Economy	Postal	<u>Inflation</u>	Avg. Delivery	Other Factors	Final
	<u>Volume</u>		<u>Trends</u>		<u>Prices</u>		<u>Time</u>		<u>Volume</u>
2011	77,591.6	815.0	(4,438.7)	335.0	(117.4)	391.7	(48.3)	(2,007.1)	72,521.9
2012	72,521.9	813.0	(4,175.2)	561.2	(373.6)	450.5	(133.4)	(986.3)	68,678.1
2013	68,678.1	777.1	(3,361.5)	406.9	(375.7)	282.6	(95.2)	(179.6)	66,132.8
2014	66,132.8	724.8	(2,672.7)	476.5	(603.4)	241.7	(48.7)	(176.9)	64,074.0
2015	64,074.0	680.3	(2,324.1)	582.0	(505.8)	112.6	350.3	(194.0)	62,775.4
2016	62,775.4	642.3	(2,538.9)	436.1	(53.9)	102.9	(646.3)	665.5	61,383.2
2017	61,383.2	571.0	(3,435.9)	353.7	301.0	257.6	131.1	(615.3)	58,946.3
2018	58,946.3	482.3	(3,332.0)	375.4	(74.0)	315.6	24.2	61.3	56,799.1
2019	56,799.1	430.4	(2,647.8)	315.5	(237.8)	275.3	(42.3)	111.6	55,003.9
2020	55,003.9	417.7	(2,139.3)	(2,074.8)	(211.9)	205.9	52.6	1,420.9	52,674.9
Total	77,591.6	6,353.9	(31,066.2)	1,767.5	(2,252.5)	2,636.5	(456.0)	(1,899.9)	52,674.9

- Please confirm that the table shows that “diversion trends” were responsible for a loss of 4,438.7 million pieces in 2011 and 4,175.2 million in 2012.

- b. Please confirm that negative impacts (diversion trends, postal prices, average delivery time, and other factors) totaled 6,611.5 million in 2011 and 5,668.4 million in 2012.
- c. Please confirm that diversion was responsible for approximately 67 percent of total negative impacts in 2011 and 74 percent in 2012.

SH/USPS-T-5-3. Please explain why your calculations indicate that the percentage of volume losses due to diversion in 2011 and 2012, as presented in your testimony for N2021-1, are more than double the losses during these years as presented in your testimony for R2010-4R.

SH/USPS-T-5-4. Please refer to your testimony, p. 24, showing the table “First-Class Mail volumes vs. Average Delivery Time, by Type of Mail: 2005 – 2020 (annual).”

<u>First-Class Mail volumes vs. Average Delivery Time, by Type of Mail: 2005 - 2020 (annual)</u>									
	Sent by Households (HDS)		First-Class Mail Non-Household to Household (HDS)					Total (RPW)	Avg. Delivery Days
	Correspondence	Bill Payments	Correspondence	Advertising	Bills	Statements	Other		
2005	7,989.3	8,970.2	19,223.3	10,782.3	17,872.2	6,272.2	26,466.3	97,575.8	2.02
2006	8,265.6	8,733.5	18,494.9	10,344.4	18,335.5	6,642.5	26,119.2	96,935.7	2.03
2007	7,943.8	8,365.2	18,820.6	9,033.8	18,202.0	6,809.3	26,168.8	95,343.6	2.09
2008	7,729.4	6,995.2	18,087.3	8,257.3	17,978.3	6,293.7	25,330.0	90,671.2	2.13
2009	7,135.8	6,493.9	16,795.5	6,648.5	17,116.5	6,386.5	22,150.3	82,727.0	2.02
2010	5,590.8	5,632.3	15,994.6	6,115.1	15,365.2	5,417.8	23,475.8	77,591.6	2.07
2011	4,964.9	5,516.9	16,280.9	5,447.8	15,180.6	4,655.1	20,475.7	72,521.9	2.13
2012	5,009.2	5,097.9	16,311.4	5,021.3	14,847.0	4,744.5	17,642.4	68,673.7	2.13
2013	4,916.0	4,513.0	15,497.2	4,240.1	14,268.8	4,284.9	18,171.7	65,891.7	2.18
2014	4,403.4	4,470.0	15,407.8	3,924.8	14,102.8	4,513.9	17,026.4	63,849.0	1.98
2015	4,607.4	4,382.6	15,003.7	3,593.4	13,842.1	4,204.1	16,965.5	62,598.8	2.27
2016	4,046.8	3,752.8	15,143.6	3,826.0	13,594.6	3,994.0	16,881.3	61,239.1	2.23
2017	3,554.7	3,341.4	15,014.6	3,712.2	12,629.7	4,050.9	16,529.7	58,833.3	2.23
2018	3,440.8	3,100.2	14,774.6	3,504.0	12,526.0	3,930.7	15,435.3	56,711.6	2.29
2019	3,319.1	2,784.0	14,102.5	3,972.8	11,367.5	3,741.4	15,649.4	54,936.7	2.27
2020	3,133.6	2,467.2	13,621.5	3,470.2	10,593.6	3,870.6	15,466.1	52,622.8	2.32
SPLYs									
2006	3.5%	-2.6%	-3.8%	-4.1%	2.6%	5.9%	-1.3%	-0.7%	0.4%
2007	-3.9%	-4.2%	1.8%	-12.7%	-0.7%	2.5%	0.2%	-1.6%	2.9%
2008	-2.7%	-16.4%	-3.9%	-8.6%	-1.2%	-7.6%	-3.2%	-4.9%	1.8%
2009	-7.7%	-7.2%	-7.1%	-19.5%	-4.8%	1.5%	-12.6%	-8.8%	-5.0%
2010	-21.7%	-13.3%	-4.8%	-8.0%	-10.2%	-15.2%	6.0%	-6.2%	2.4%
2011	-11.2%	-2.0%	1.8%	-10.9%	-1.2%	-14.1%	-12.8%	-6.5%	2.8%
2012	0.9%	-7.6%	0.2%	-7.8%	-2.2%	1.9%	-13.8%	-5.3%	0.2%
2013	-1.9%	-11.5%	-5.0%	-15.6%	-3.9%	-9.7%	3.0%	-4.1%	2.5%
2014	-10.4%	-1.0%	-0.6%	-7.4%	-1.2%	5.3%	-6.3%	-3.1%	-9.4%
2015	4.6%	-2.0%	-2.6%	-8.4%	-1.8%	-6.9%	-0.4%	-2.0%	14.6%
2016	-12.2%	-14.4%	0.9%	6.5%	-1.8%	-5.0%	-0.5%	-2.2%	-1.5%
2017	-12.2%	-11.0%	-0.9%	-3.0%	-7.1%	1.4%	-2.1%	-3.9%	-0.1%
2018	-3.2%	-7.2%	-1.6%	-5.6%	-0.8%	-3.0%	-6.6%	-3.6%	2.6%
2019	-3.5%	-10.2%	-4.5%	13.4%	-9.2%	-4.8%	1.4%	-3.1%	-1.1%
2020	-5.6%	-11.4%	-3.4%	-12.7%	-6.8%	3.5%	-1.2%	-4.2%	2.5%

- a. Please confirm that during the period 2005-2020 the only year for which delivery time increased more than 2.9 percent over the previous year was 2015, when the increase was 14.6 percent.

- b. Please refer to your testimony, p. 20, lines 5-9, where you state: “For most years, changes in average delivery time have been a much smaller factor affecting First-Class Mail volume growth than other factors. This is due largely to the fact that average days to delivery have been relatively stable over this time period outside of changes to service standards implemented by the Postal Service in FY 2011 and FY 2015.” Please confirm that the 2015 increase in average delivery time was a unique event in the otherwise relatively stable context of 2004-2020. If not confirmed, please explain.
- c. Please confirm that your calculations for “sources of change” and volume, revenue, and contribution that may be lost due to changing service standards, as presented on page 37 of your testimony, are based on the assumption, provided by the Postal Service, that average delivery time will increase by 18 percent due to the changes in service standards. If not confirmed, please explain.
- d. Please confirm that an increase in average delivery time of 18 percent would be more than six times larger than any increase since 2005, aside from the increase in 2015. If not confirmed, please explain.
- e. Please discuss any statistical challenges, such as those regarding confidence levels, and other issues that may arise in making projections when there is only a single previous event (such as the large increase in delivery time in 2015) that is comparable to the event being analyzed (the increase of 18 percent under the proposal).

SH/USPS-T-5-5. Please refer to your testimony, p. 37, lines 17-19, where you state that “the expected losses to First-Class Mail if average days to delivery increased by 18 percent would be 497.9 million pieces of mail, \$241.4 million in gross revenue, and \$105.6 million in lost contribution.”

- a. Please confirm that these estimates refer to the first full year following implementation of the new standards. If not confirmed, please explain what they refer to.
- b. Please confirm that your analysis does not encompass what volume, revenue and contribution impacts might occur in subsequent years. If not confirmed, please provide the results of this additional analysis.
- c. If you have not done additional analysis on subsequent years, please comment, based on your analysis of 2004-2020, on what one might expect to see.